

Benefits Choices 2008 — Open Enrollment is Oct. 20-Nov. 9



What you need to know about Reimbursement Spending Accounts

RSAs can be created for health care and/or day care expenses

Start planning your 2008 Reimbursement Spending Account (RSA)

What is an RSA?

An RSA is a Reimbursement Spending Account, also known as a Flexible Spending Account, which is authorized by the Internal Revenue Service (IRS) and available through employers. This type of account allows you to set aside money for nonreimbursed health care and/or day care expenses on a pretax basis. As you incur health care and/or day care expenses throughout the year, you submit a claim for those expenses, and you are reimbursed with tax-free dollars from your account. A Health Care Account reimburses you for out-of-pocket medical, dental, vision, hearing, and pharmaceutical expenses such as copays, coinsurance, certain over-the-counter (OTC) medications, eyeglasses, contact lenses, eye care solutions, and even laser-vision correction. The Day Care Account reimburses you for day care expenses you incur to allow you and, if married, your spouse to work. These expenses include day care, before-and-after school programs, nursery school or preschool, summer day camp, and even adult day care. When you use either one, or both of these accounts, you reduce your taxable income so you pay less in income taxes. To see a list of all eligible expense items for either a health care or a day care account, visit our website at www.mypayflex.com.

What's in it for me?

The bottom line is that an RSA will allow you to increase your spendable income because your contributions are on a pretax basis. That means less for Uncle Sam and more for you and your family to spend as you please! Let's use a real-world example: A family member wants LASIK eye surgery, and the cost is approximately \$4,000.

Vacation Buy Plan — buy up to 44 hours

Every year during Open Enrollment, employees have the option to buy vacation. The Vacation Buy Plan (VBP) is an optional plan that allows employees to purchase vacation on a pretax (before federal, state, and Social Security taxes are deducted) basis. Why would you want to purchase vacation as opposed to taking time off without pay? The vacation hours you purchase are deducted evenly from your biweekly paychecks throughout the calendar year rather than having a financial impact all at once.

Employees may purchase a minimum of eight hours up to a maximum of 44 hours of vacation. The cost of each vacation hour is determined by dividing your full-time annual base pay as of the beginning of the calendar year by 2,080.

Purchased vacation can be used once carry-over, accrued/posted, and convertible vacation have all been depleted. Unused elected vacation hours will be sold back in the last paycheck in December at the same rate as purchased. Upon termination or retirement, elected vacation hours not used but paid for will be sold back at the same rate as purchased.

For more information on the Vacation Buy Plan, refer to Sandia's VBP Summary Plan Description (SPD). The VBP SPD can be found at www.sandia.gov/benefits/spd/pdfs/Vacation-Buy.pdf or by calling the Benefits Customer Service Center 844-HBES (4237).

Instructions for enrolling in the VBP are available in your Benefits Choices 2008 Open Enrollment HR Self-Service website.

In most cases, this expense would be paid with post-tax income over the span of a year. However, if you put this money into a health care RSA, it will be paid with pretax income, and you will save approximately \$1,080 (see example):

Annual Tax Savings	With RSA	Without RSA
Estimated Family Taxable Income	\$50,000	\$50,000
Cost of LASIK Eye Surgery	(\$4,000)	\$0
Taxable Income after LASIK Surgery	\$46,000	\$50,000
Estimated Taxes (Federal & SS)	\$12,420	\$13,500
Post-Tax Income	\$33,580	\$36,500
After-Tax Dollars Spent	\$0	\$4,000
Post-Tax Income	\$33,580	\$32,500
Saving	\$ 1,080	\$0

How do I get started?

Sandia has made setting up an RSA simple. During your annual enrollment period, you will be allowed to put aside a portion of your salary on a pretax basis. If you decide to enroll in a health care and/or day care account, you will need to estimate the amount you will spend on out-of-pocket health care expenses and/or day care expenses during the plan year. When estimating your expenses, please remember that several over-the-counter items such as aspirin or other pain relievers and cold/sinus remedies are eligible for reimbursement as well. To assist in estimating your out-of-pocket expenses, worksheets have been created for you to use. The expense planning worksheets, as well as an RSA savings calculator, are available at www.mypayflex.com.

The amount you choose to set aside will be deducted from your paycheck in equal amounts each pay period throughout the plan year. The money deposited into your RSA account(s) can then be used to pay for eligible medical, dental, vision, hearing expenses, OTC medications, as well as day care expenses.

How do I get reimbursed?

As you incur health care and/or day care expenses, you will submit a claim for reimbursement via fax or mail. Reimbursements are made on a scheduled basis; however, you can file claims

as often as you would like. Your RSA dollars will be used for reimbursement, which will be provided by check or direct deposit into your bank account.

Your claims can also be submitted online at www.mypayflex.com via Express Claims. This process is quick, easy, and always available. With Express Claims, you can also elect to have your reimbursement deposited directly into your checking or savings bank account. In most cases with Express Claims and direct deposit, you will be reimbursed within 48 hours, allowing you to maximize your spending power.

Reimbursement methods

Express Claims: www.mypayflex.com
Fax: 402-231-4310
Mail: PayFlex Systems USA, Inc.
PO Box 3039
Omaha, NE 68103-3039

How do I keep track of the balance in my account?

To check the balance in your account, view transactions, or check the status of a claim, simply access your plan information at www.mypayflex.com. PayFlex has also implemented an enhanced Integrated Voice Response (IVR) system providing immediate access to account balances, overpayment resolution, as well as to obtain fax numbers and addresses for claim submission. To access our IVR system, please call **800-284-4885**.

What if I don't use all the money in my account? Will I lose it?

Yes. Money left over in your account at the end of the year is forfeited. You can avoid forfeitures by carefully reviewing your prior year's expenses and planning only for predictable costs. Sandia has elected to include a grace period within the health care plan, so you will be allowed 75 additional days after the end of your plan year to use your RSA funds. For example, if your plan year ends on Dec. 31, Sandia will allow expenses to be incurred through March 15. In addition, PayFlex has established partnerships with various online vendors to help you spend your RSA dollars more efficiently. Accessible via our website, you can buy items such as glasses, contact lenses, and eligible OTC medications using your PayFlex™ Card, or any other major credit card. When using your own credit card, you will receive a receipt to use for reimbursement.

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Voluntary Group Accident (VGA) Insurance

VGA Insurance is an optional, employee-paid accident insurance that provides financial protection to employees and families for covered accidents. Employees can purchase insurance coverage in amounts from \$10,000 to \$300,000, in units of \$5,000 (maximum \$300,000 combined coverage in all plans). Premiums are paid through payroll deductions.

Employees have three types of coverage options to select from and may select any combination:

- **Plan I-A:** Employee-Only Coverage.
- **Plan I-B:** Family Plan may include

employee, spouse, and children. Specific rules apply to coverage of dependents. The election amount chosen will result in a benefit amount as follows: spouse only, 50 percent of election amount; spouse and children, 40 percent and 10 percent each; children only, 15 percent each.

- **Plan II:** Employee-Only Common Carrier insurance covers the employee for accidents aboard public transportation.

For more information on the plan, cost of the coverage, and how to enroll, visit the Open Enrollment website.

Open Enrollment website:

Employees and Retirees: <http://oe.sandia.gov>
Sandia Labs Health Benefits and Employee Services (HBE)

Customer Service
HBE Customer Service @ <http://hbe.sandia.gov>
Benefits Customer Service has moved to:
Innovation Parkway Office Center (IPOC)
3rd floor, Suite 3G (outside the Eubank Gate)
Hours: 8 a.m.–4:30 p.m.
Mail Stop 1463
505-844-HBES (4237) or
1-800-417-2634, ext. 844-HBES (4237)

'Put your drive in gear': Sandia's 2007 ECP campaign celebrates 50 years of giving

By Iris Aboytes

Sandia's annual employee giving program was born in 1956 with 91 percent of Sandians participating and raising a total of \$63,900.

Ted Sherwin, manager of Sandia's Public Relations Department at the time, was the architect of what eventually became ECP. He knew other organizations around the country were adopting so-called federal giving program, which combined annual employee Community Chest contributions. He felt these plans had some of the elements Sandia was looking for in his plan. Year-round giving by payroll deduction would be the key. After lots of meetings and lots of hours, ECP was born.

The plan was initially called the United Fund, and it incorporated 24 Community Chest agencies. Sandians were encouraged to give their "fair share." Many formulas were used to arrive at a fair share. One of the most popular was giving one hour's pay each week of the year. The accepted rule of thumb was "make your contribution large enough so that your conscience

is satisfied — let your conscience be your guide." Year-round giving was made possible for the first time by payroll deduction.

The importance of the campaign was illustrated in a special *Lab News* edition called "Red Feather Special."



October 8-26

New ECP Logo

A new and more modern logo has been designed by Tara Camacho-Lopez (3654) to reflect the giving heart in each one of us. The logo helps usher in the next 50 years of the program.

One of the big draws of the 1956 campaign was a jingle contest.


Three lines were provided and Sandians completed the jingle. Clock radios bought with privately donated funds were given to the writers of the top 10 jingles.

In honor of its inception in 1956, Sandia will publish three winning jingles in the *SDN*, one each week of the campaign. A set of movie tickets will be given to the top two winners each week. The entries will be judged by *Lab News* writers.

Here is an example of one of the winning entries in 1956.

*Christmas and United Fund
Come but once a year
A chance to help your fellowman
So put your drive in gear*

And in California . . .



Two Sandians receive American Physical Society prizes

Julia Phillips and Gary Grest honored by professional society

By Neal Singer

Two Sandians will be awarded major prizes by the American Physical Society at its annual March meeting.

Julia Phillips (1100) will receive the George E. Pake Prize, meant to recognize and encourage outstanding work by physicists combining original research accomplishments with leadership in the management of research or development in industry.

Julia was cited for her leadership and pioneering research in materials physics for industrial and national security applications.

Past Sandia president C. Paul Robinson won this award in 2003.

Gary Grest (1133) was awarded the Aneesur Rahman Prize, given annually to recognize and encourage outstanding achievement in computational physics research.

Gary's work was characterized as "ground-breaking" in his development of computational methods and their application to the study of soft materials, including polymers, colloids, and granular systems.

"Congratulations to Julie and Gary," emailed Sandia VP Rick Stulen (1000). "These achievements and their recognition are extremely impressive."

Each prize consists of \$5,000, an allowance for travel to the March meeting at which the prize is awarded and certificates presented that cite the contributions made by each recipient. Gary will deliver the Rahman Lecture and Julia will present an invited talk.

APS annual prizes and awards, more than 40 in number, recognize outstanding achievements in research, education, and public service. With few exceptions, they are open to all members of the scientific community in the US and abroad.

The nomination procedure involves APS-appointed selection committees that guarantee the awards' high standards and prestige, according to the society.

RSAs

(Continued from preceding page)

What is available online at www.mypayflex.com?

- Account Information
- RSA Tutorial
- RSA Savings Calculator
- Expense Planning Worksheets
- Listing of Eligible & Ineligible Expense Items
- Frequently Asked Questions
- Administrative Forms & Publications
- IRS Forms & Publications

Questions?

If you have any questions or wish to obtain account information via our IVR system, please call PayFlex at 800-284-4885. Customer service representatives are available 7 a.m. to 7 p.m. CST, Monday through Friday.

Day care expense requirements

Day care expenses are those that must be incurred to enable you and your spouse, if married, to be gainfully employed. The expense must be incurred for services received after the effective date of your election and during the plan year to which it applies. The expenses must be for a qualifying individual. This includes a dependent younger than age 13, a spouse, or other dependents who are physically or mentally incapable of self-care and for whom you can claim an exemption.

The day care services must be provided by an eligible day care provider. This includes a licensed day care facility that complies with applicable

state and local laws and any individual who is not a tax dependent of yours or a child of yours age 19 or older. Day care expenses must be for services incurred, not for services to be provided in the future. The annual expense reimbursement may not exceed the lesser of your earned income, if married; your spouse's earned income; or \$5,000 (\$2,500 if married, filing separate income tax returns). You must file Form 2441 annually with your individual tax return identifying all your day care providers.

Health care expense requirements

Health care expenses must be incurred for services rendered on or after the effective date of your election and during the plan year including the grace period as explained above. Each individual, for whom you can incur expenses, generally includes a dependent who you are entitled to claim as dependent on your federal tax return, as well as a spouse or other tax dependents who are physically or mentally incapable of self-care.

All expenses must be for services incurred and already provided, not for services to be provided in the future. In addition, the expenses may not have been reimbursed and must not be reimbursable by insurance or any other source. You cannot claim the same expenses as a deduction on your annual income-tax return. Other ineligible items include individual insurance premiums, other group insurance premiums, and long-term care expenses.

Special plan rules

- You may enroll in a RSA only during Open Enrollment or when you first become eligible. This enrollment covers your pay periods from your effective date through the end of the plan year.

- Once you establish your plan year contribution, you may only change it if you experience a change in status.
- Any amount(s) left in your account(s) at the end of the plan year will be forfeited.
- You may file plan year claims through the run-out period as established by the plan.
- You do not have to enroll in your employer's health insurance plan to participate in the Reimbursement Spending Accounts. If you or your family members are covered for health insurance elsewhere, you can still claim qualifying out-of-pocket health care expenses under the RSA.
- Remember that your expenses must be incurred during your period of coverage. Expenses are considered as having been incurred when you are provided with the health care or day care and not when you are formally billed, charged for, or pay for the care.

Change in status rules

IRS guidelines may allow you to change your plan contribution during the plan year only upon the following conditions:

- Change in legal marital status (marriage, divorce, legal separation, annulment, or death of a spouse)
- Change in number of tax dependents (birth, adoption, or death)
- Change in employment status that affects eligibility
- Dependent satisfying or ceasing to satisfy coverage requirements (reaching limiting age, marriage)
- Change in residence that affects eligibility

To apply for a change, you must complete a mid-year change-in-election form through HBES within 31 days of the date of the event.